

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 EB-11 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 RSR-01 NSC-10 SS-15 STR-08

CEA-02 NIC-01 /125 W

----- 122457

R 180740Z AUG 73

FM USLO PEKING

TO SECSTATE WASHDC 582

INFO AMCONSUL HONG KONG

AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 0835

E.O. 11652: GDS

TAGS: ETRD, JA, CH

SUBJ: JAPAN-PRC ECONOMIC RELATIONS

REF: A) HONG KONG 8158 B) TOKYO 10520

1. JAPANESE ECONOMIC MINISTER YANAGIYA TOLD USLO OFFICER HE UNDERSTANDS FROM JAPANESE BANKERS THAT PROPOSAL FOR YEN DEPOSITS IN BANK OF CHINA HAS BEEN DISCUSSED BUT THAT NO SUCH DEPOSITS NOW EXIST. PRESENTLY UNDER CONSIDERATION, HE SAID, ARE THREE-YEAR DEPOSITS AT 6.75 PER CENT INTEREST RATE. HE OPINED THAT JAPANESE BANKERS COULD DO BETTER WITH THEIR FUNDS ELSEWHERE AT THAT RATE AND DID NOT BELIEVE THIS PROPOSAL WOULD BE ACCEPTED. POINTING TO DEFERRED PAYMENT ARRANGEMENTS ON MOST OF RECENT PLANT PURCHASES, YANAGIYA EXPRESSED VIEW THAT PRC IS NOT UNDER IMMINENT FOREIGN EXCHANGE CRUNCH AND COULD GET BY FOR THE PRESENT WITH INCREASED EXPORTS. (USLO IS NOT SO CERTAIN OF THIS SINCE VALUE OF PRC IMPORTS THIS YEAR APPEARS TO BE RISING MUCH MORE RAPIDLY THAN PRC EXPORTS.)

2. REGARDING PRC-JAPAN NEGOTIATIONS UNDERWAY IN TOKYO, YANAGIYA SAID THAT JAPANESE PROPOSED DRAFT COVERING SEPARATE TRADE

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AND COMMERCIAL AGREEMENTS IS VERY COMPREHENSIVE AND DETAILED,

WHILE CHINESE DRAFT FOR SINGLE AGREEMENT IS SHORT AND GENERAL. HE DOES NOT HINK THERE ARE DIFFERENCES IN PRINCIPLE. JAPANESE SIDE, HE SAID, IS VERY FLEXIBLE AND QUITE PREPARED TO MAKE COMPROMISES ON ITS DRAFT; IF THE CHINESE ARE SIMILARLY FLEXIBLE HE BELIEVES AGREEMENT CANBE REACHED WITHOUT MUCH DIFFICULTY.

3. YANAGIYA INDICATED THERE HAS BEEN DIFFERENCE OF OPINION IN JAPANESE EMBASSY AS TO WHETHER OR NOT THE DEADLOCKED AVIATION AGREEMENT HAS IMPEDED PROGRESS ON OTHER COMMERCIAL NEGOTIATIONS. HOWEVER, HE SAID, PRC DECISION TO SEND DELEGATION TO TOKYO AT THIS TIME INDICATES THAT THEY ARE PREPARED TO MOVE AHEAD IN OTHER AREAS. HE ALSO EXPRESSED THE VIEW (NO CONCURRED IN BY SECOND SECRETARY IKEDA, WHO ALSO PRESENT) THAT AVIATION DEADLOCK MAY ALSO BE RESOLVED IN TOKYO WHILE TRADE AGREEMENT IS NEGOTIATED.

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